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ABSTRACT

This speech provides a cursory discussion of the experiences of mayors and governors with the general revenue sharing program for States and municipalities and examines the possible implications of these experiences for special educational revenue sharing. The author suggests that fewer dollars will be available to local school districts if the proposed special educational revenue sharing bill is passed. (JF)

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SPEAKER: William Simmons, Superintendent, Wayne County Intermediate School District, Detroit, Michigan

TOPIC: REVENUE SHARING: A HARD-NOSED ASSESSMENT

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The topic for this session"Revenue Sharing - A Hard-Nosed Assessment" is especially timely because the 93rd Congress must during this session act on legislative proposals in both the authorizing and appropriating committees of Congress that are open challenges to the educational revenue sharing proposals that are being discussed by the Administration.

The House and Senate Education Committees have before them proposals to extend and amend the Elementary and Secondary Education Act of 1965 scheduled to expire June 30, 1973. The Appropriations Committee must begin hearings on an appropriation bill for fiscal year 1974 while trying to enact legislation that will assure funding of programs for fiscal year 1973. The appropriation bill for Labor-HEW-OE for fiscal year 1973 has been twice vetoed by the President. Undoubtedly, the contest that has developed between the President and the Congress over the impoundment of funds and the dismantling of the Great Society Programs will have a direct bearing on any educational legislation enacted.

Revenue sharing, now a reality for state and local governments under the State and Local Fiscal Assistance Act passed by the 92nd Congress is a concept rediscovered. President Thomas Jefferson, in his 1805 inaugural address, urged that federal revenue be returned to the states to be spent in such areas as "rivers, canals, roads, arts, manufacturers, education and other great objects within each state." President Jefferson's idea was not enacted into legislation.

A number of years later in 1836 the Congress authorized for distribution to the states $37.5 million of surplus federal funds. Some $28 million was distributed the following year, 1837, and that amount almost matched the total federal expenditures for that year, $28 million. Following this early attempt to share revenues, for reasons whatever, the concept waned until the late fifties.

The real rebirth of the revenue sharing concept in the late fifties can be attributed to Professor Walter Heller who, while at the University of Minnesota, presented a revenue sharing plan known as the "Heller Plan." Heller, while Chairman of the President's Council on Economic Advisors in 1961-64, further developed the concept without success in terms of enactment. In the presidential election of 1964 both President Johnson and Senator Barry Goldwater talked about the concept, but once again no action.

President Nixon from the time of his inauguration in 1968 urged the enactment of a revenue sharing program. He had heard and understood the message of the mayors and governors. Finally, in 1971 he proposed a $16 billion package that combined general revenue sharing with special revenue sharing. The President put great emphasis on his program as a move to return power to state and local governments where he felt best decisions on local problems could be made. General revenue sharing would be funded at the $5 billion level with new money while special revenue totaling $11 billion involved $10 billion in existing federal grant-in-aid programs and $1 billion in new monies. The special revenue sharing program was not favorably received and the movement for general revenue sharing picked up massive support which eventually led to the passage of the present legislation. Chairman Wilbur Mills of the House Ways and Means Committee and Chairman Russell Long of the Senate Finance Committee, after a series of hearings and complicated floor actions, resolved the differences between the House and Senate versions.

During the course of the action, the House Appropriations Committee claimed jurisdiction over the bill but lost the fight on the floor to the House Ways and Means Committee who were able to bring the bill to the floor under a closed rule which permitted no amendments. Had the Appropriations Committee prevailed, the legislation would have been subject to the annual appropriation process. The bill as passed is a revenue measure automatically funded for the full five years authorized.

Organizations supporting the bill included all major state and municipal groups who were delighted with the new money. They repeatedly stressed the new money concept and felt they had a commitment for a continuation of existing categorical programs.

The bill provided $5.3 billion for 1972 with an annual increase until a $6.4 billion level would be reached in 1976. The state was to receive 1/3 of the state allotment with the other 2/3 being allocated to other units of government. Education was not included. Wide latitude in the use of the funds was granted even to the extent of using the revenue received for programs of tax relief.

In addition to the general revenue sharing legislation discussed above, the House Ways and Means Committee did hold hearings on a general educational revenue sharing package. The major proposal considered by the Committee was introduced by Rep. Hugh L. Carey of New York and Chairman Wilbur Mills. The Act was entitled "Public and Private Educational Assistance Act of 1972". The proposal contained two basic provisions: (1) Federal payments to states to assist in the equalization of educational opportunities of students in public elementary and secondary schools, and (2) $200 tax credit with respect to each child maintained in a private elementary or secondary school.

The federal payments to the state would not exceed $2.25 billion and would average approximately $50 per public school student. The tax credit for private school education was estimated at approximately $584 million. The total cost was estimated at $2.834 billion.

The first three witnesses testifying before the Committee were from the Administration and included George P. Shultz, Secretary of the Treasury; Elliot L. Richardson, Secretary of the Department of Health, Education and Welfare; and Caspar W. Weinberger, Director of the Office of Management and Budget. These three witnesses made clear that the Administration could not support Title I of the bill providing support for public elementary and secondary school assistance but could support the tax credit concept for non-public schools in Title II of the proposal. The extensive discussion of the tax credit proposal for non-public schools brought forth all major forces with the pro and con arguments regarding non-public school aid. The Congress did not take action on this bill. However, similar proposals have been reintroduced for consideration by the 93rd Congress. No action can be reported at this time. The administration, however, in their discussion of the bill, made clear that they would propose a special revenue sharing program for elementary and secondary education in this session of Congress.

The Administration proposal for special educational revenue sharing, in the first instance, was surfaced during the 92nd Congress and received very little affirmative attention by the House and Senate Education Committees. Presently the Administration has made clear that it will introduce special education revenue sharing in some form within the next few weeks with the hope that the legislation can be enacted prior to June 30, 1973.

The proposal now in discussion stage would consolidate 30 categorical grant programs for elementary and secondary education into five broad areas to include education of the disadvantaged, education of the handicapped, assistance to schools in federally affected areas, vocational education, and supporting services, materials and special services. The position paper would, in effect, repeal Titles I, II, III, and V of the Elementary and Secondary Education Act of 1965, Part B of the Education of the Handicapped Act, the Impacted Areas Legislation, Title III of the National Defense Education Act, Part 2B of the Educational Professional Development Act, and Parts A through I of the Vocational Education Act of 1963. Also affected would be the Adult Education Act, Public Law 815-School Construction, Sections 5 and 7 of the Child Nutrition Act of 1966, and the National School Lunch Act, Sections 4, 5, 7, 8 and 10. Titles VII and VIII of the Elementary and Secondary Education Act along with Parts C, D, E, F and G of the Education of the Handicapped Act would not be affected. These programs suggested for repeal are presently priced at approximately $2.9 billion. The estimate for the special educational revenue sharing package has been variously placed at figures ranging from $2.3 billion to $2.8 billion. More exact analysis of the elements that will make up any such proposal with accurate cost figures cannot be made until actual legislative proposals have been introduced.

This rather cursory discussion of the general revenue sharing proposal for states and municipalities and the special educational revenue sharing package must be considered together because of the recent unhappy experiences reported by the news media across the nation concerning the disillusionment of governors and mayors over the impoundment of funds for existing categorical programs and fiscal year 1974 budget recommendations that, in effect, repeal these programs in favor of the special revenue sharing packages. This in spite of the new monies received under general revenue sharing.

The governors and mayors, as reported above, gave all-out support for the enactment of the general revenue sharing legislation. They have consistently made clear they welcomed general revenue sharing because it provided new dollars for states and municipalities with few strings attached. While supporting this concept, they report they had assurances for the continuation of the funding of existing programs from the Administration. The Administration presently is asking their support of the undisclosed special revenue sharing programs while the present categorical programs are being dismantled. This, of course, is the heart of the battle between the governors and the mayors and the Administration, with particular emphasis on the mayors' position. The mayors, in emphasizing their dilemma, quote from a booklet issued by the Treasury Department last year under the title "What General Revenue Sharing Is All About", which contained the following question and answer: "QUESTION: Will any programs be terminated because general revenue sharing has begun?" "ANSWER: No. Revenue sharing does not mandate any cuts in existing programs. The purpose of the revenue sharing law is to allocate additional funds to state and local governments to augment existing programs and certain capital expenditures."

They also remind Administration officials that the President at the Philadelphia signing of the bill last October called it "a new source of revenue for state and local governments." The mayors report that in most of the nation's biggest cities the budget cutbacks spelled out in the Administration's budget for fiscal year 1974 will take away far more dollars from the cities next year than the revenue sharing will put back in. The budget recommendations of the Administration have raised such serious questions with the mayors that there is considerable doubt that they will support the special revenue sharing programs. The press report a number of statements from public officials across the country to include "It's a gigantic double-cross," "The cities have been deceived," "They welched on the promise,""They don't love us in February as they loved us in October."

The experiences of the states and municipalities with general revenue sharing and with what they interpret to be in the special revenue sharing proposals affecting their units can very well be a similar experience for education. The special education revenue sharing will fold our present categorical programs into a package. The question, based on present experience, is "What might be lost in terms of educational dollars during the folding process?" In addition, all concerned must realize education is not scheduled to receive the benefits of a general revenue sharing package. The posture of the Administration presently appears to be that educational needs must, in the large, be satisfied from state and local dollars.

What we as educators must decide is whether or not we can support a special educational revenue sharing proposal that will provide grants to states for redistribution to local school districts with fewer dollars because we have been assured that less dollars will mean that we have more to say about how we use it. At the same time, we must evaluate whether or not the present categorical programs should be permitted to be summarily eliminated. Perhaps what is needed is special revenue sharing for education with new dollars while present fully funded categorical programs continue until an orderly phase-out of such programs can be accomplished, with adequate levels of funding for new programs on the broadest possible base.

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